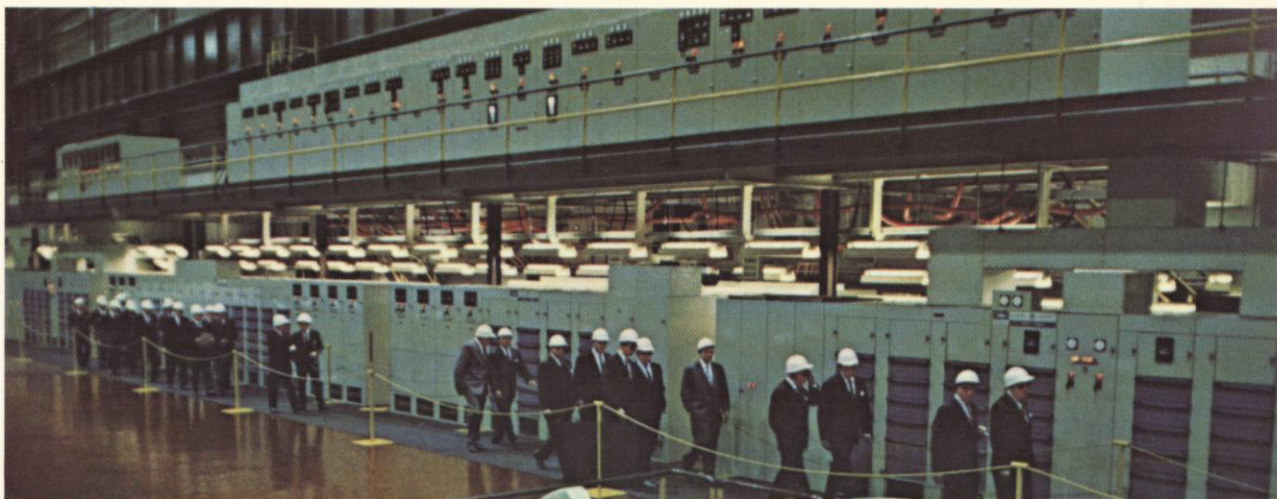


1965 Bethlehem Steel Corporation Annual Report

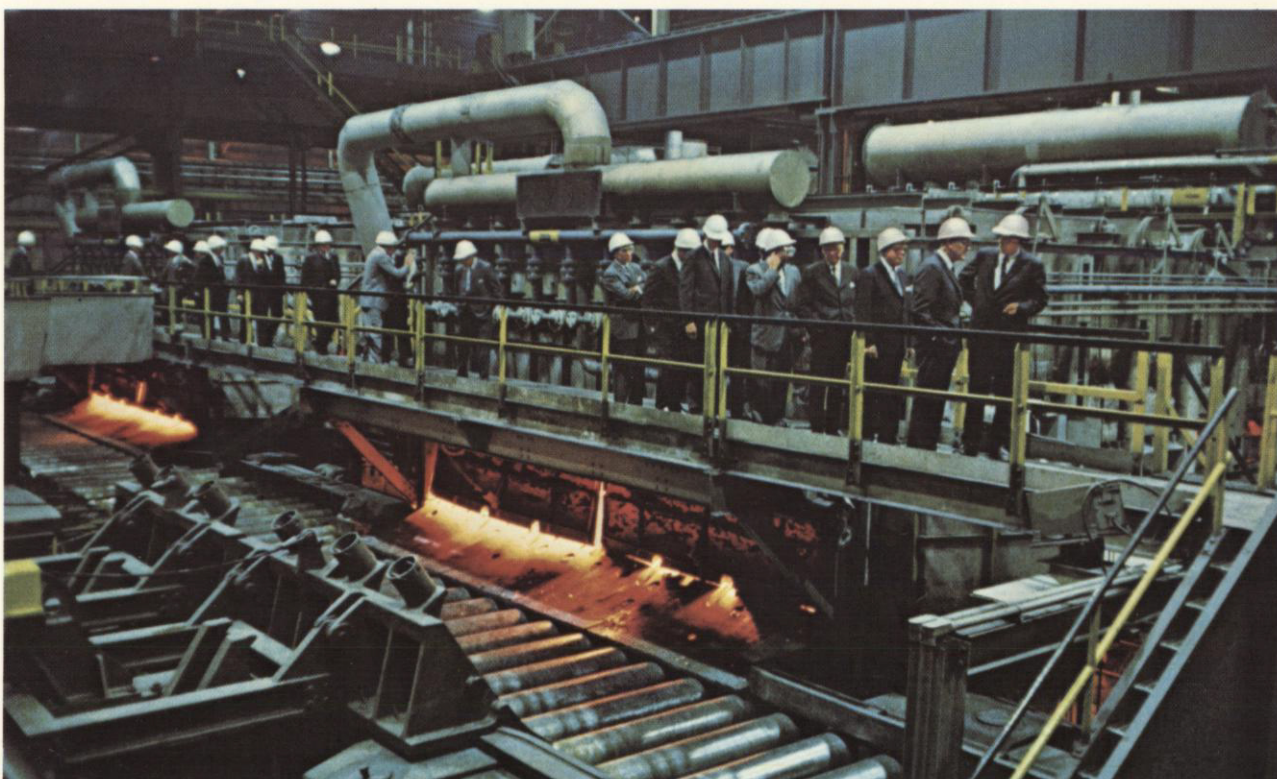


9334-211
R. 4th St.





Bethlehem's directors and other officials toured the new Burns Harbor Plant in the fall.



The directors begin their inspection of the Burns Harbor plate mill.



Edmund F. Martin, Chairman (left) and Stewart S. Cort, President (right) greet Indiana's Governor Roger D. Branigan at Burns Harbor Plant.



Bethlehem director Harold H. Helm with new director Crowdus Baker, at a meeting of the Board in Chicago.

Annual Report for year ended December 31, 1965

Bethlehem Steel Corporation, Bethlehem, Pennsylvania

Principal Officers

Edmund F. Martin
Chairman

Stewart S. Cort
President

Ivor D. Sims
Executive Vice President

Edward D. Bickford
Vice President, Sales

William H. Johnstone
Chairman of Finance Committee

Donald J. Blickwede
Vice President, Research

Edward P. Leach
Vice President, Mining

Russell K. Branscom
*Vice President, Industrial and
Public Relations*

Albert M. Reed
*Vice President, Accounting,
and Comptroller*

Lewis W. Foy
Vice President, Purchasing

A. James Slater
Vice President, Special Assignments

John C. Howard
Vice President, Traffic

Daniel D. Strohmeier
Vice President, Shipbuilding

John E. Jacobs
Vice President, Operations

James H. Walker
Vice President, Finance

Bernard D. Broeker
*Vice Chairman of Finance Committee
and General Counsel*

Henry R. Pund
Assistant Vice President, Shipbuilding

John F. Callahan
Assistant Vice President, Accounting

C. Thompson Stott
Assistant Vice President, Operations

Robert J. Jurgen
Assistant Vice President, Traffic

R. Stockton Taylor
Assistant Vice President, Sales

John J. O'Connell
*Assistant Vice President,
Industrial and Public Relations*

Robert C. Sonneman
Secretary

Edward W. Morris
Treasurer

Stock Transfer Offices

Bethlehem Steel Corporation,
25 Broadway,
New York, N.Y. 10004

Continental Illinois National Bank
and Trust Company of Chicago,
231 S. La Salle Street, Chicago, Ill. 60690

Registrars of Stock

Morgan Guaranty Trust Company of New York,
New York, N.Y.

The First National Bank of Chicago,
Chicago, Ill.

Counsel

Cravath, Swaine & Moore,
New York, N.Y.

Independent Accountants

Price Waterhouse & Co.,
New York, N.Y.

*The Annual Meeting of the Stockholders of Bethlehem Steel Corporation
will be held at 10 a.m. on Tuesday, April 26, 1966, in the Nemours
Auditorium, Nemours Building, Orange Street, Wilmington, Delaware.*



Financial and Operating Summary

	1965	1964
Net income—Amount	\$ 150,028,000	\$ 147,944,000
—Per dollar of total revenues	5.8¢	6.5¢
—Per share of Common Stock	\$3.26	\$3.11
Dividends—Preferred Stock (\$7 per share)	—	\$ 6,537,000
—Common Stock (\$1.50 per share)	\$ 68,803,000	68,267,000
Common Stock at year end—Shares outstanding	45,987,000	45,511,000
—Stockholders	245,000	249,000
Total revenues	\$2,601,226,000	\$2,264,803,000
Depreciation	\$ 196,062,000	\$ 181,173,000
Taxes—Federal, state, local and foreign	\$ 190,798,000	\$ 167,001,000
Capital expenditures—		
Wholly owned enterprises	\$ 377,609,000	\$ 385,677,000
Investments in partially owned enterprises	5,604,000	5,848,000
Capital expenditures authorized at year end—		
Wholly owned enterprises	\$ 311,000,000	\$ 351,000,000
Investments in partially owned enterprises	11,100,000	1,500,000
Long-term debt at year end	\$ 240,326,000	\$ 263,426,000
Raw steel produced (net tons)	21,032,000	19,436,000
Steel products shipped (net tons)	14,319,000	12,762,000
Orders on hand at year end	\$ 654,000,000	\$ 716,000,000
Employees—Monthly average number	130,000	121,000

Summary of Changes in Working Capital

Working capital, January 1, 1965		\$ 592,696,000
Additions:		
Income before deducting depreciation of \$196,062,000	\$ 346,090,000	
Proceeds from sales of property	3,434,000	
Miscellaneous items (net)	16,448,000	365,972,000
		\$ 958,668,000
Deductions:		
Capital expenditures	\$ 383,213,000	
Purchases of long-term debt less cash received on conversion of Debentures	4,060,000	
Dividends on Common Stock	68,803,000	456,076,000
Working capital, December 31, 1965		\$ 502,592,000



The Year in Review

The Financial and Operating Summary on the opposite page contains some comparisons of the results of Bethlehem's activities during 1965 and 1964.

Bethlehem's net income in 1965 amounted to \$150,028,000 or \$3.26 per share of Common Stock as compared to \$147,944,000 or \$3.11 per share in 1964. Net income per dollar of total revenues was 5.8 cents compared to 6.5 cents in 1964.

Bethlehem produced 21,032,000 net tons of raw steel during 1965. This set a production record. The previous high was 19,436,000 net tons in 1964.

14,319,000 net tons of rolled steel and other finished products were shipped during the year compared to 1964 shipments of 12,762,000 net tons. This was a shipment record. Although both steel production and shipments established new records, they did not result in the lowest possible costs because they were not evenly distributed throughout the year. There was a prolonged period of full operations and inventory accumulation by customers prior to the steel labor settlement in early September. This was followed in the last four months of the year by reduced operations and some inventory liquidation.

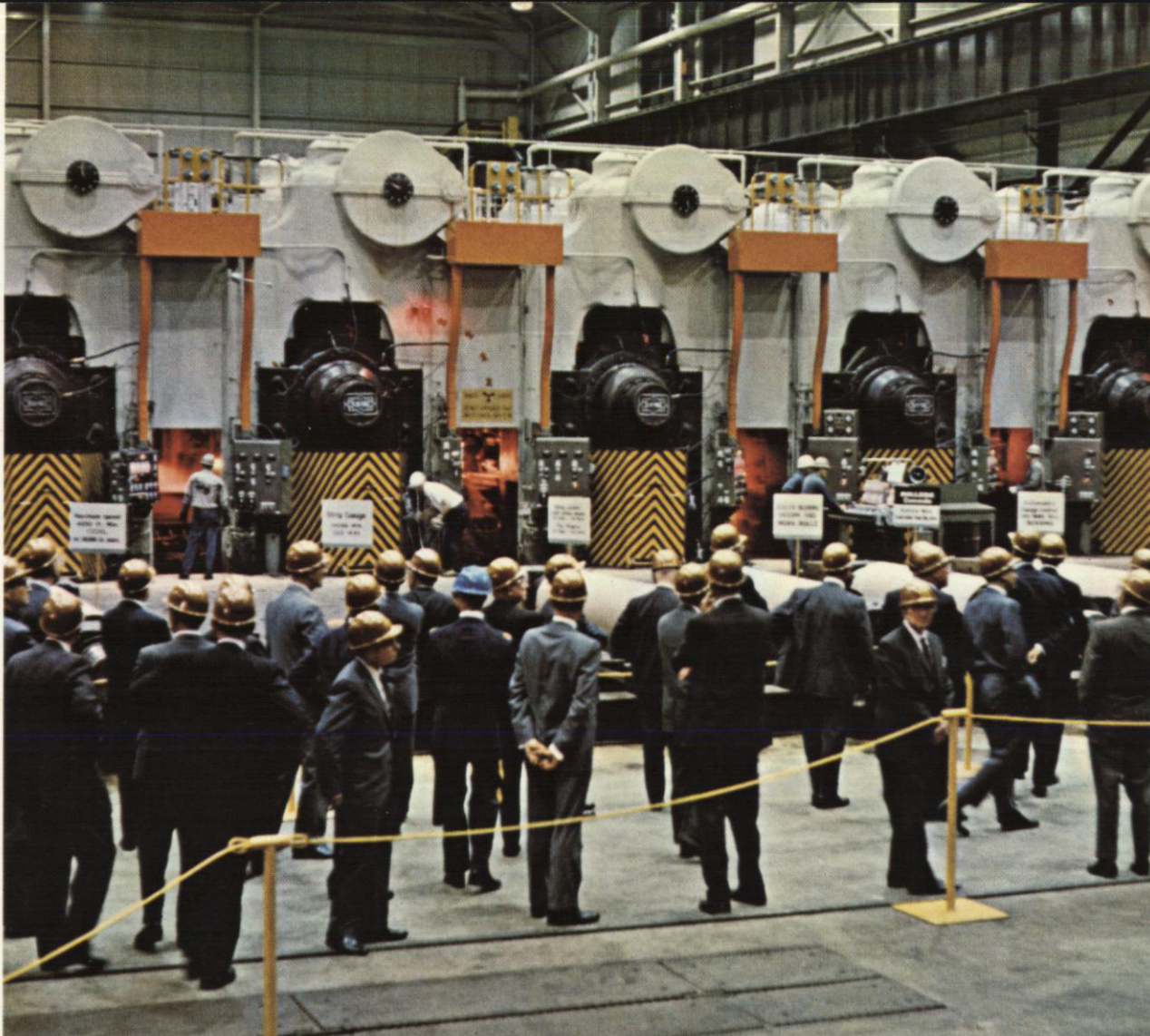
Quarterly shipments of rolled steel and other finished products during the year were as follows:

1st quarter	3,920,000 net tons
2nd quarter	3,996,000 net tons
3rd quarter	3,620,000 net tons
4th quarter	2,783,000 net tons

Capital Expenditures

Capital expenditures during 1965 for additions and improvements to properties, including investments in partially owned enterprises, amounted to \$383,000,000. This compares with \$391,000,000 in 1964 which was the year of highest capital expenditures. The estimated cost of completing authorized additions and improvements at the year end was \$322,000,000. Total capital expenditures in 1966 are expected to exceed \$350,000,000.

The provisions for depreciation in 1965 amounted to \$196,062,000, somewhat larger than the \$181,173,000 in 1964. Our large capital expenditure programs are made possible in large part by the allowance of these provisions for Federal income tax purposes, together with the investment tax credit. These programs are essential in order to enable us to compete in the world steel market and with other materials here in the United States.



At the formal opening of Burns Harbor Plant in September, thousands of customers and guests toured the new facility. Here a group of customers examines the five-stand cold sheet mill.

Improved Steel Plant Facilities

A new structural mill has been authorized for construction at the Bethlehem, Pa., Plant. It will produce wide flange beams, in both regular weight and the newer light weight, high strength sections, standard structural sections and sheet piling. Two new 200-ton basic oxygen furnaces have recently gone into operation at the Sparrows Point, Md., Plant and a third 250-ton BOF is scheduled for completion about mid-1966 at the Lackawanna, N.Y., Plant. The tin mill complex at the Burns Harbor, Ind., Plant has been completed and the new hot sheet mill there is scheduled for production later this year. The office building and fabricating works at Pinole Point, California, are now in use and a new sheet galvanizing line should be producing there in the latter part of 1966.

These are only some of the important im-

provements now under way in the continuing program of updating and improving our steel plant facilities.

Burns Harbor Plant Opening

In September, Bethlehem officially opened the Burns Harbor Plant with week-long ceremonies. The new facilities were inspected by more than 3,000 persons, including Bethlehem customers from every section of the country and state, county and local governmental and civic leaders.

Additional Stock Transfer Facilities

For the convenience of the stockholders of the Corporation, particularly those residing in the midwest and in the far west, the Corporation has listed its Common Stock on the Midwest Stock Exchange in Chicago and established facilities for the transfer of its Common



Under construction at the Lackawanna Plant is a third 250-ton basic oxygen furnace, shown in the background. In the foreground is one of the Plant's completed BOF furnaces.

Stock in that city. Continental Illinois National Bank and Trust Company of Chicago has been appointed a Transfer Agent and The First National Bank of Chicago a Registrar.

The Corporation will continue to maintain its stock transfer facilities at 25 Broadway, New York City, so that stockholders will now have the option of transferring their stock either there or in Chicago.

Management

On January 1, 1966, Crowdus Baker, President of Sears, Roebuck and Company, became a member of Bethlehem's Board of Directors. Mr. Baker is a resident of Chicago and brings to Bethlehem's Board many years of experience in the merchandising field.

Also on January 1, 1966, Ivor D. Sims, formerly Vice President, Administration, became Execu-

tive Vice President, and Edward P. Leach became Vice President, Mining, of the Corporation.

Labor Agreement

Bethlehem's previous labor agreement made on April 6, 1962, with the United Steelworkers Union was due to expire on May 1, 1965. Interim agreements were reached with the Union extending the old agreement until September 9, 1965. A new agreement for a term ending no earlier than August 1, 1968, was signed on September 6. It substantially increases already high employment costs, adding to the problems involved in achieving satisfactory profit margins. We do not expect to be faced during 1966 with large-scale inventory build-ups caused by the threat of an industry-wide strike. We hope that this will substantially reduce the artificial peaks and valleys in steel operations which affect profits by increasing costs.

Steel Prices

Competition among domestic steel makers and between steel and the materials that compete with it has given the buyer of steel a reliable supply at reasonable prices—prices which have remained stable over the past eight years in contrast to the prices of the products and services of most other industries and also in contrast to employment costs in the steel industry itself.

In a free economy, however, steel price adjustments can be expected to occur to meet changing conditions. Bethlehem initiated a moderate upward adjustment in the price of structural shapes effective the first of this year. This announcement incurred governmental opposition in spite of the fact that new higher strength but lighter weight steels reduced the final cost of steel framing even with the increases in per pound prices. Another major producer subsequently announced a slightly lower price increase, which was not opposed by the government. Thereupon Bethlehem adopted the competitive prices, effective January 15.

Steel Imports

Imports into the United States of finished steel products continued to increase and reached a new high in 1965 of about 10½ million tons compared with about 6½ million tons in 1964 and 5½ million tons in 1963. The rising trend of steel imports is of great concern to Bethlehem as well as to the rest of the domestic

steel industry. The record imports in 1965 were in part induced by customers' inventory accumulation accompanying the extended labor negotiations.

Steel producing capacity in foreign countries, especially in western Europe and Japan, is increasingly in excess of domestic demand in those countries. This means that producers there will be under increasing temptation to export at bargain-counter prices, particularly to the United States, which is the largest steel consuming country in the world and whose tariffs on steel imports are among the lowest.

Bethlehem is working energetically to meet this threat in the most significant manner available to a privately owned company. Research and development activities are being expanded constantly. Capital expenditures are continuing at high levels at our various operations throughout the country, including the Burns Harbor Plant in the large and rapidly growing Midwestern market. Programs to ensure that our steels are of the highest quality and that we give the best possible service to customers are being intensified.

All this will provide Bethlehem with facilities which will incorporate the latest technological advances enabling us to produce new and superior products at the lowest possible cost.

Edmund F. Martin

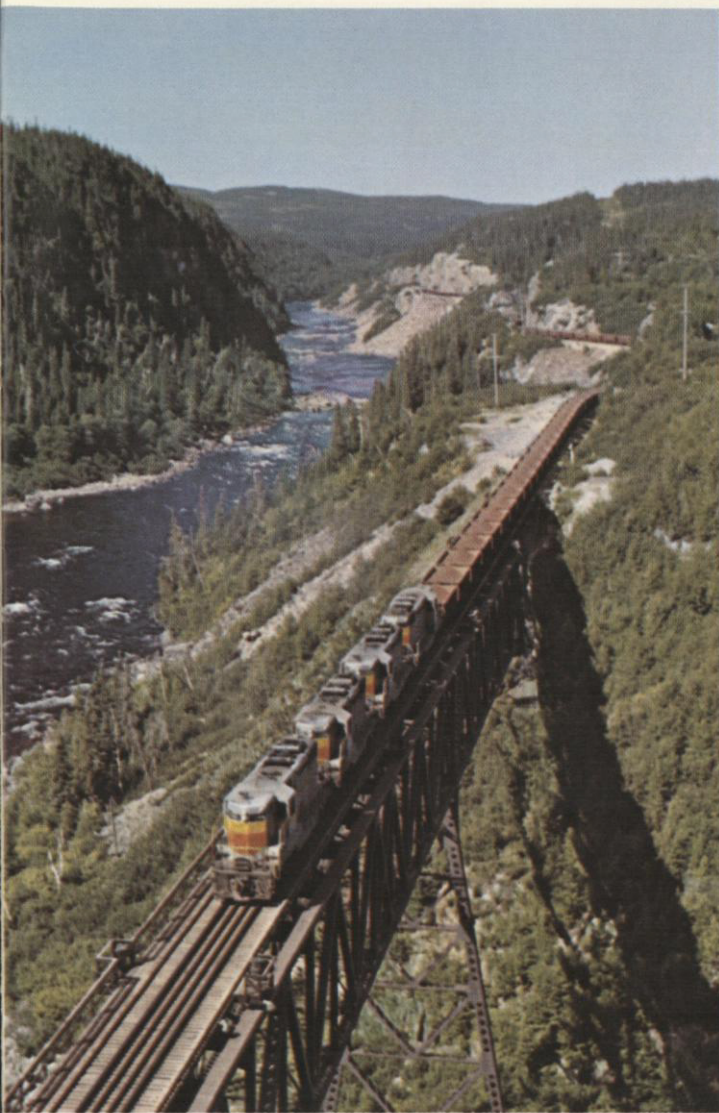
February 23, 1966

Chairman



Constructed in 1965 was this new Raw Materials and Chemical Engineering Building at the Homer Research Laboratories in Bethlehem, Pa.

Bethlehem Abroad



Labrador iron ore and pellets are shipped by rail from mine to port in 100-car trains.



Marmora, Ontario, open pit with skipway and iron ore pellet plant in background.

For more than half a century, Bethlehem's principal activities abroad have been in connection with the production of raw materials as sources of supply for its plants in the United States. Recently, concurrently with the development of new domestic mines, these activities abroad have been accelerated because domestic sources were being depleted too rapidly and additional raw materials were necessary for Bethlehem's expanding facilities. Today, Bethlehem is importing iron ore from mines in Canada, Chile, Liberia and Venezuela, and manganese ore from mines in Brazil and Mexico. Other iron ore properties in Gabon (Africa) and Brazil are now being investigated.

Bethlehem acquired the El Tofo iron ore mine near Cruz Grande Bay in Chile in 1913. The main ore body has been mined out, but a beneficiating plant was completed in 1965 to process the remaining lower grade ores. Some years ago, another ore body, the El Romeral mine, near Coquimbo Bay, was acquired and shipments from it began in 1956. A beneficiating plant there was completed in 1963. Annual production from these two mines of the Corporation's subsidiary, Bethlehem Chile Iron Mines Company, is over 3,000,000 net tons.

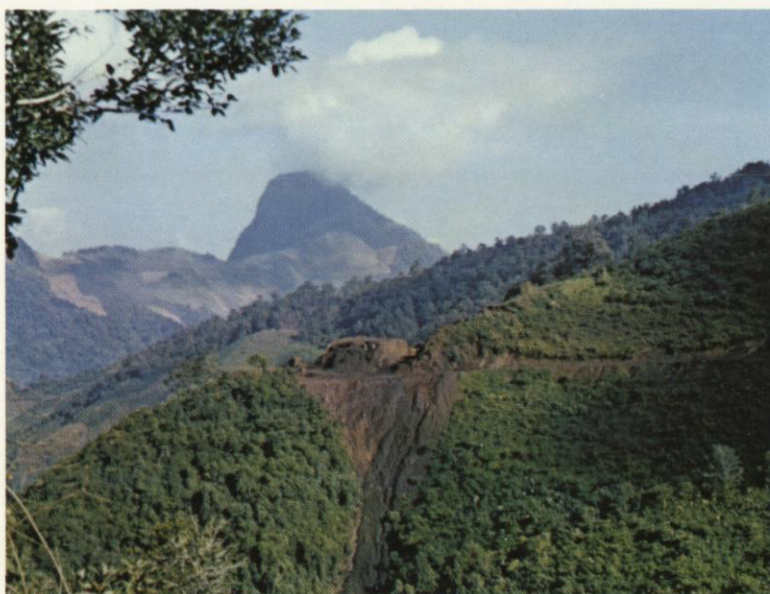
The El Pao iron ore mine of Iron Mines Company of Venezuela, a Bethlehem subsidiary, is located in the State of Bolivar, Venezuela, and has been producing iron ore since 1950. The ore from this open pit mine is shipped, without beneficiating, by rail 30 miles to the Port of Palua, on the Orinoco River, where it is loaded into ocean-going vessels for transportation to the United States. In 1965, about 3,300,000 net tons were produced by the El Pao mine.

In 1950, Bethlehem geologists began exploring in Hastings County, Ontario, an area which later became the Marmora Mine of Marmoraton Mining Company, Ltd., also a Bethlehem subsidiary. By 1955, beneficiating and pelletizing facilities were completed. Approximately 500,000 net tons of pellets are produced annually, transported by rail to the Port of Picton on Lake Ontario, and then shipped to the Lackawanna Plant.

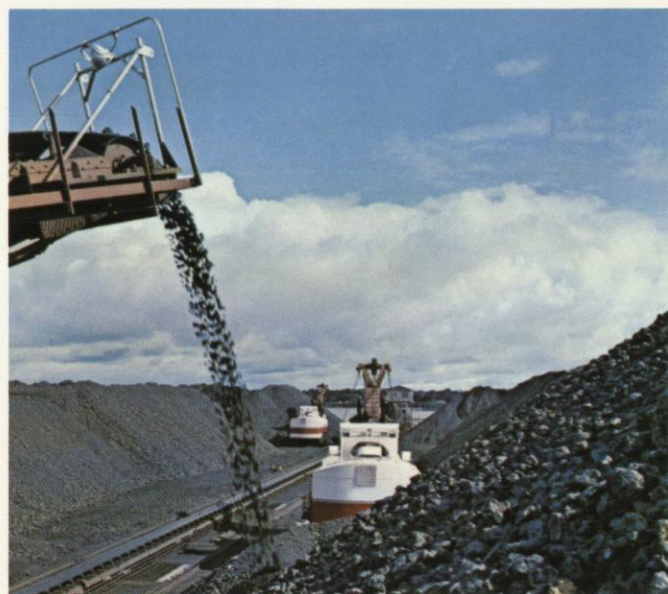
Bethlehem has an interest in Iron Ore Company of Canada, which is producing direct shipping ore from its mines near Schefferville, Quebec, and iron concentrates from its mines



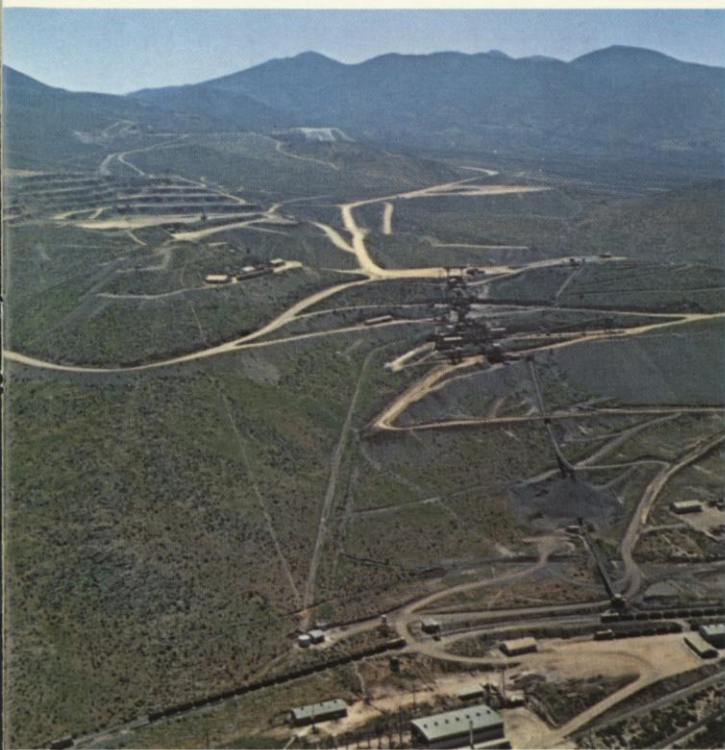
Shipping facilities on the Orinoco River for Venezuelan iron ore, with new ocean vessel pier in background.



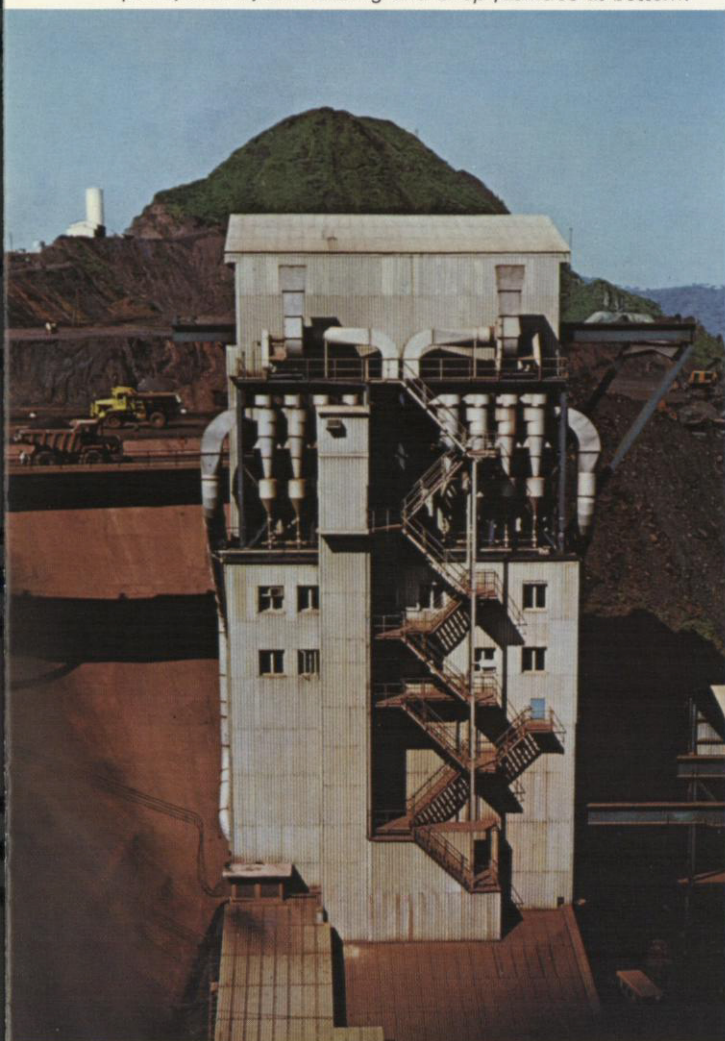
The new Molango manganese mine is located in a remote area of central Mexico.



Stockpiling and transfer facilities for manganese mined in the interior of Brazil.



Iron mine at Romeral, Chile, with mine at top, crushing plant, center, and loading and shop facilities at bottom.



Iron ore crushing plant at Nimba Mine in Liberia.

near Carol Lake in Labrador. The direct shipping ore is transported over 350 miles by rail to the Port of Sept Iles. Carol Pellet Company, in which Bethlehem also has an interest, processes Bethlehem's iron concentrates into pellets at Carol Lake. The pellets are transported 240 miles by rail to Sept Iles, and thence, together with the direct shipping ore, by vessel for delivery to Bethlehem's plants.

In 1963, Bethlehem started receiving high-grade iron ore from the Nimba mine in Liberia. This project, which to date has cost approximately \$225,000,000, was undertaken by the Lamco Joint Venture, in which Bethlehem has a 25 per cent participation, the remaining interest being owned by The Liberian American-Swedish Minerals Company (LAMCO), in which the Republic of Liberia has a 50 per cent interest. The ore is transported over a 165-mile railroad for loading at the port of Buchanan. Capacity will soon be 11,000,000 net tons annually, including 2,200,000 net tons of pellets.

Bethlehem's first venture in a manganese operation abroad was the acquisition in 1949 of a 49 per cent interest in Industria e Comercio de Minerios, S.A.-ICOMI, which owns a manganese concession at Serra do Navio in the Federal Territory of Amapa, Brazil. By 1957, the mine, rail and port facilities were completed and manganese ore from an open pit mine, after being crushed, washed and screened, is now transported about 120 miles by railroad to the port of Santana on the Amazon River. The production from this mine averages over 800,000 net tons annually.

Bethlehem also has an interest in manganese properties in Mexico through its participation in Compania Minera Autlan, S.A. de C.V. This Company's San Francisco mine, an underground mine located near Autlan, in the State of Jalisco, has been producing manganese since 1953. Large manganese ore deposits located near Molango, in the State of Hidalgo, are now being developed. Approximately \$18,500,000 will be spent on mine installations, a rotary kiln and loading and other related facilities at the Port of Tampico. This new project will be completed in 1967.

These foreign ore projects have supplied Bethlehem with essential high-grade raw materials from well-diversified sources. They complement Bethlehem's domestic iron ore mining interests in Minnesota, Michigan, Missouri and Pennsylvania, which domestic interests account for about half of Bethlehem's ore requirements.

Directors of the Corporation and Committees



Bethlehem's Board of Directors

Reading clockwise from left to right: Lewis W. Foy, Vice President, Purchasing; Edward D. Bickford, Vice President, Sales; Harold H. Helm, Chairman of the Executive Committee of Chemical Bank New York Trust Company; Stewart S. Cort, President; Monroe J. Rathbone, retired Chairman of the Board of Standard Oil Company (New Jersey); John E. Jacobs, Vice President, Operations; Ivor D. Sims, Executive Vice President;

Robert B. Hobbs, Chairman of First National Bank of Maryland; William H. Johnstone, Chairman of Finance Committee; Edmund F. Martin, Chairman; Albert M. Reed, Vice President, Accounting, and Comptroller; Jess H. Davis, President of Stevens Institute of Technology; Russell K. Branscom, Vice President, Industrial and Public Relations. Not shown: Crowdus Baker, President of Sears, Roebuck and Co.



Finance Committee

Seated (left to right), Albert M. Reed, Harold H. Helm, William H. Johnstone (chairman), Bernard D. Broeker, Robert B. Hobbs. Standing, Edward W. Morris, James H. Walker and Robert C. Sonneman (secretary).



Executive Compensation Committee

Seated (left to right), Harold H. Helm, Jess H. Davis (chairman), Robert B. Hobbs. Standing, Louis R. Breslin, Jr. (secretary). Not shown: Monroe J. Rathbone.



Corporate Development Committee

Seated (left to right), Edward D. Bickford, Ivor D. Sims (chairman), Albert M. Reed. Standing, John E. Jacobs and William H. Johnstone.



Consolidated Balance Sheet

	December 31, 1965	December 31, 1964
Assets		
Current Assets:		
Cash	\$ 91,028,000	\$ 92,962,000
Marketable securities, at cost (approximately market):		
U.S. Government	139,263,000	82,926,000
Other	229,231,000	252,542,000
Receivables—less allowance for doubtful receivables	222,579,000	232,145,000
Inventories (page 16)	401,652,000	385,124,000
Total Current Assets	\$1,083,753,000	\$1,045,699,000
Other Assets:		
Investments in 50% or less owned raw material enterprises, at cost	142,751,000	155,845,000
Miscellaneous investments and receivables	49,200,000	49,801,000
Property, plant and equipment, at cost—less accumulated depreciation and amortization (page 16)	1,334,165,000	1,155,501,000
Total Assets	\$2,609,869,000	\$2,406,846,000
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 225,725,000	\$ 199,558,000
Accrued taxes	198,257,000	132,808,000
Accrued employment costs	97,417,000	92,740,000
Other liabilities	59,762,000	27,897,000
Total Current Liabilities	\$ 581,161,000	\$ 453,003,000
Other Liabilities:		
Long-term debt (page 16)	240,326,000	263,426,000
Accrued liabilities payable after one year	80,800,000	83,100,000
Total Liabilities	\$ 902,287,000	\$ 799,529,000
Stockholders' Equity:		
Common Stock (Note B):		
Authorized 80,000,000 shares, par value \$8		
Outstanding 45,987,118 shares—1965		
45,511,118 shares—1964	\$ 575,992,000	\$ 556,952,000
Earnings invested in the business	1,131,590,000	1,050,365,000
Total Stockholders' Equity	\$1,707,582,000	\$1,607,317,000
Total Liabilities and Stockholders' Equity	\$2,609,869,000	\$2,406,846,000



Consolidated Statement of Income and Earnings Invested in the Business

	1965	1964
<i>Revenues:</i>		
Net sales of products and services	\$2,579,384,000	\$2,240,739,000
Interest, dividends and other income	21,842,000	24,064,000
	<u>\$2,601,226,000</u>	<u>\$2,264,803,000</u>
<i>Costs and Expenses:</i>		
Cost of sales	\$1,917,978,000	\$1,643,772,000
Provisions for:		
Depreciation	196,062,000	181,173,000
Pensions (Note C)	28,260,000	18,568,000
Taxes, except taxes on income	75,498,000	73,501,000
Selling, administrative and general expense	108,954,000	102,122,000
Interest and other debt charges	9,146,000	4,223,000
Provision for taxes on income:		
Federal (Note D)	88,000,000	75,000,000
Other	27,300,000	18,500,000
	<u>\$2,451,198,000</u>	<u>\$2,116,859,000</u>
<i>Net Income</i>	\$ 150,028,000	\$ 147,944,000
<i>Earnings Invested in the Business, January 1</i>	1,050,365,000	1,017,266,000
Transfer of Insurance reserve	—	30,000,000
	<u>\$1,200,393,000</u>	<u>\$1,195,210,000</u>
Dividends—Preferred Stock—\$7 per share	—	\$ 6,537,000
—Common Stock—\$1.50 per share	\$ 68,803,000	68,267,000
Excess of refunding value over par value of Preferred Stock converted	—	70,041,000
	<u>\$ 68,803,000</u>	<u>\$ 144,845,000</u>
<i>Earnings Invested in the Business, December 31</i>	<u>\$1,131,590,000</u>	<u>\$1,050,365,000</u>



Notes to Financial Statements

A. Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all wholly owned subsidiaries.

B. Common Stock

During 1965, 476,000 shares of Common Stock were issued upon conversion of \$11,900,000 principal amount of 3¼% Twenty-five-Year Debentures at a conversion price per share of \$25 principal amount of Debentures and \$15 in cash. The right to convert the Debentures into Common Stock expired May 3, 1965.

No options have been granted under the Stock Option Plan since April, 1962, and no additional options may be granted thereunder. No option was exercised in 1965 and during the year options covering 103,700 shares terminated by reason of the termination of the employment of the holders thereof.

At December 31, 1965, an aggregate of 217 optionees held options, granted at various times between September, 1957, and April, 1962, and expiring on various dates between September, 1967, and April, 1972, to purchase 905,100 shares of the Common Stock (that number of authorized but unissued shares being reserved for exercise of such options) at prices ranging from \$41 to \$51 per share.

C. Pensions

The assets, at cost, of the Pension Trust

Fund at December 31, 1965, amounted to \$418,840,000 (page 17) and are sufficient to fully fund pensions already granted and to provide substantial additional amounts for pensions which may be subsequently granted. In the opinion of the Corporation and its independent actuary, such additional amounts constituted in the light of the circumstances prevailing at December 31, 1965, a reasonable provision for the estimated actuarial liability at that date in respect of non-retired employees. The aggregate market value of such assets is substantially more than the cost thereof. The amounts charged against current earnings for pensions included \$1,969,000 in 1965 and \$1,880,000 in 1964 for payments made by certain companies directly to or for the benefit of their pensioners. The Pension Trust Fund is not the property of the Corporation or its subsidiaries and, therefore, is not included in the consolidated financial statements.

D. Provision for Federal Income Taxes

Net income for 1965 reflects a reduction in the provision for Federal income taxes equal to the 1965 investment tax credit of approximately \$20,600,000. The comparable reduction in the provision for Federal income taxes in 1964 was \$24,600,000, including \$6,300,000 representing that portion of the investment tax credit applicable to 1962 and 1963 which was deferred in those years.

E. Raw Materials Transactions

In December, 1965, several wholly owned subsidiaries of the Corporation sold mineral production payments aggregating \$123,400,000 in primary sums. The purchaser is entitled, until the primary sums and certain additional amounts have been paid, to the proceeds from the sales of raw materials mined after December 31, 1965, from properties of such subsidiaries. The proceeds of such sales, less related Federal income taxes, have been reflected in accounts payable at December 31, 1965, but

the transactions will be taken into income only when the minerals are produced, which is expected to occur in 1966.

Based on its proportionate stock interest in certain 50% or less owned raw material enterprises, the Corporation is entitled to receive its share of the raw materials produced and is committed to pay its share of the costs of such enterprises, including amortization of long-term indebtedness. Such amortization averages approximately \$6,600,000 annually through 1983.

Opinion of Independent Accountants

*To the Board of Directors and Stockholders of
Bethlehem Steel Corporation:*

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income and earnings invested in the business present fairly the financial position of Bethlehem Steel Corporation and its subsidiaries consolidated at December 31, 1965 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, N.Y.
February 23, 1966

Price Waterhouse & Co.



Property, Plant and Equipment

December 31,
1965

Steel producing and fabricating properties	\$2,775,587,000
Raw material properties (after deducting depletion)	316,997,000
Transportation properties	157,463,000
Shipbuilding and ship repair properties	92,227,000
	\$3,342,274,000
Less: Accumulated depreciation and amortization	2,008,109,000
	\$1,334,165,000

Inventories

December 31,
1965

Ore, fluxes, fuel and coal chemicals	\$ 112,832,000
Pig iron, alloys, scrap and manufacturing supplies	92,611,000
Finished and semi-finished products	137,818,000
Contract work in progress	58,391,000
	\$ 401,652,000

Note: Inventories (other than contract work in progress which is valued at cost less billings and is adjusted for estimated partial profits or losses) are valued at the lower of cost or market using the last-in, first-out method, adopted in 1947, in costing the principal portion thereof.

Long-Term Debt

December 31,
1965

Consolidated Mortgage Bonds

Twenty-Five Year Sinking Fund 2¾ % Bonds, Series I. Due July 15, 1970	\$ 49,571,000
<i>(Required to be retired through Sinking Fund: \$1,500,000 annually, 1967 to 1969, inclusive)</i>	
Thirty-Year Sinking Fund 2¾ % Bonds, Series J. Due November 15, 1976	24,556,000
<i>(Required to be retired through Sinking Fund: \$1,000,000 annually, 1967 to 1975, inclusive)</i>	
Thirty-Year Sinking Fund 3 % Bonds, Series K. Due January 1, 1979	31,898,000
<i>(Required to be retired through Sinking Fund: \$1,000,000 annually, 1967 to 1978, inclusive)</i>	
3¼ % Twenty-five-Year Debentures. Due May 1, 1980	3,269,000
4½ % Subordinated Debentures. Due January 1, 1990	131,032,000
<i>(Required to be retired through Sinking Fund: \$4,076,000 annually, 1970 to 1989, inclusive. As a Purchase Fund, \$1,359,000 must be available for a period of 30 days semiannually through July 31, 1969, for purchase of Debentures at prices not exceeding principal amount, except to the extent the Corporation elects to apply Debentures acquired by it.)</i>	
	\$ 240,326,000

Note: Does not include (a) the following securities owned by the Corporation and available for Sinking Fund or Purchase Fund requirements: Series I Bonds, \$4,429,000; Series J Bonds, \$1,444,000; Series K Bonds, \$2,102,000; and Subordinated Debentures, \$2,107,000; or (b) \$213,000 Purchase-money Mortgage Six Per Cent. Bonds, due August 1, 1998, in respect of which there is on deposit with the trustee the principal amount and all interest payable thereon to maturity.

Pension Trust Fund of Bethlehem Steel Corporation and Subsidiary Companies

Morgan Guaranty Trust Company of New York, Custodian

<i>Statement of Net Assets</i>		December 31, 1965	December 31, 1964
Cash and accrued interest receivable		\$ 3,952,000	\$ 3,004,000
Investments, at cost:			
Short-term obligations		28,687,000	47,677,000
U.S. Government bonds		30,824,000	14,916,000
Other bonds, notes and obligations:			
Domestic corporate		99,982,000	91,636,000
Real estate mortgages		16,892,000	18,144,000
Foreign		20,590,000	20,985,000
Preferred stocks		4,035,000	3,402,000
Common stocks:			
Industrial		146,385,000	130,554,000
Public utility		39,275,000	32,270,000
Bank, finance and insurance		30,788,000	28,297,000
		<u>\$421,410,000</u>	<u>\$390,885,000</u>
Less: Amounts payable to brokers		2,570,000	—
<i>Total Net Assets (Note)</i>		<u>\$418,840,000</u>	<u>\$390,885,000</u>

<i>Statement of Changes in Fund</i>		1965	1964
Balance in Fund, January 1		\$390,885,000	\$367,105,000
Additions: Received from employing companies		26,291,000	16,688,000
Income from investments		19,567,000	17,766,000
Net gain on disposition of investments		9,858,000	17,890,000
		<u>\$446,601,000</u>	<u>\$419,449,000</u>
Deduction: Pension payments		27,761,000	28,564,000
Balance in Fund, December 31		<u>\$418,840,000</u>	<u>\$390,885,000</u>

PENSIONERS AND PENSION PAYMENTS

Year	Pensioners at year end	Payments
1961	14,200	\$18,402,000
1962	15,600	20,519,000
1963	17,300	23,557,000
1964	19,300	28,564,000
1965	19,600	27,761,000

NOTE: The Pension Trust Fund is not the property of Bethlehem Steel Corporation or of its subsidiary companies and it is therefore not included in the consolidated financial statements. The aggregate market value of the total investments in the Fund is substantially more than the cost thereof.

Opinion of Independent Accountants

To the Trustees of the Pension Trust Fund of
Bethlehem Steel Corporation and Subsidiary Companies:

In our opinion, the accompanying statement of net assets and statement of changes in the Fund present fairly the net assets of the Pension Trust Fund of Bethlehem Steel Corporation and Subsidiary Companies at December 31, 1965 and the changes in the Fund during the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and included confirmation by the custodian of investments owned at December 31, 1965 and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, N. Y.
February 23, 1966

Pricewaterhouse & Co.



Ten Year Financial and Operating Summary

	1965	1964	1963
Total revenues	\$ 2,601.2	2,264.8	2,116.2
Employment costs	\$ 1,080.8	973.1	924.3
Materials and services	\$ 1,016.8	831.5	785.7
Depreciation and amortization	\$ 196.1	181.2	163.7
Taxes (excluding social security taxes)	\$ 148.4	126.9	136.5
Interest and other debt charges	\$ 9.1	4.2	3.5
Net income—Amount	\$ 150.0	147.9	102.5
—Per dollar of total revenues	5.8¢	6.5	4.8
—Per share of Common Stock	\$ 3.26	3.11	2.11
Dividends—Preferred Stock	\$ —	6.5	6.5
—Common Stock	\$ 68.8	68.3	68.3
Capital expenditures—Wholly owned enterprises	\$ 377.6	385.7	177.3
—Investments in partially owned enterprises	\$ 5.6	5.8	31.1
Long-term debt at year end	\$ 240.3	263.4	128.9
Raw steel produced (net tons)	21,032,000	19,436,000	16,109,000
Steel products shipped (net tons)	14,319,000	12,762,000	10,987,000
Employees—Monthly average number	130,000	121,000	120,000
Common Stock at year end—Shares outstanding	45,987,000	45,511,000	45,511,000
—Stockholders	245,000	249,000	254,000

Stockholders' Classification

as of December 31, 1965

	Individuals			Fiduciary Individuals
	Male	Female	Joint Accounts	
Holders of record	71,535	89,135	60,926	17,263
Shares held	10,295,850	11,671,154	4,709,967	1,386,625

1962	1961	1960	1959	1958	1957	1956
2,096.8	2,057.1	2,209.0	2,079.1	2,024.3	2,624.9	2,343.5
914.1	913.0	945.7	860.0	857.7	1,000.7	860.5
812.6	750.8	856.5	830.1	745.5	1,099.3	1,026.9
155.5	98.1	94.2	97.6	108.7	110.6	102.4
121.9	168.8	187.8	170.0	168.2	215.6	182.0
4.0	4.0	3.6	4.2	6.5	7.7	10.3
88.7	122.4	121.2	117.2	137.7	191.0	161.4
4.2	5.9	5.5	5.6	6.8	7.3	6.9
1.80	2.54	2.52	2.44	2.91	4.13	3.83*
6.5	6.5	6.5	6.5	6.5	6.5	6.5
99.0	109.2	109.2	108.8	107.5	105.3	82.4
144.5	114.3	169.9	86.7	91.4	209.0	211.6
48.3	30.7	12.1	2.0	13.1	16.2	16.6
135.4	138.7	140.4	149.5	159.9	171.2	278.6
14,677,000	14,944,000	15,941,000	14,257,000	13,393,000	19,123,000	18,322,000
10,391,000	10,045,000	11,419,000	10,268,000	9,686,000	13,536,000	13,199,000
122,000	128,000	141,000	129,000	143,000	167,000	152,000
45,511,000	45,511,000	45,488,000	45,455,000	45,088,000	44,644,000	40,422,000*
258,000	235,000	209,000	187,000	171,000	146,000	91,000

Dollars in millions, except net income per share

**Adjusted to reflect four-for-one stock split in 1957*

Fiduciary Institutions	Brokers	Nominees and Investment Trusts	Insurance Companies	Charitable and Educational Institutions	Others	Total
1,095	465	1,307	135	932	2,374	245,167
342,487	5,265,629	10,034,589	788,858	522,147	969,812	45,987,118

Bethlehem Steel



Attractive modern appliances in both traditional white and striking colors take large quantities of Bethlehem steel sheets.

Serves a Wide Variety of Markets



Soft drink cans are a vital and growing market for tinplate.



Offshore drilling rig was built by Bethlehem for the oil industry.



Trailer-camper and station wagon were both manufactured from Bethlehem sheet steel.

Bethlehem produces an unusually broad range of products serving a variety of markets including the automotive, container, construction, railroad, steel service centers, and general manufacturing industries. Quality control systems during production phases and service in all aspects of selling Bethlehem's products are basic Bethlehem policies. Bethlehem's customers are located around the world.

Products

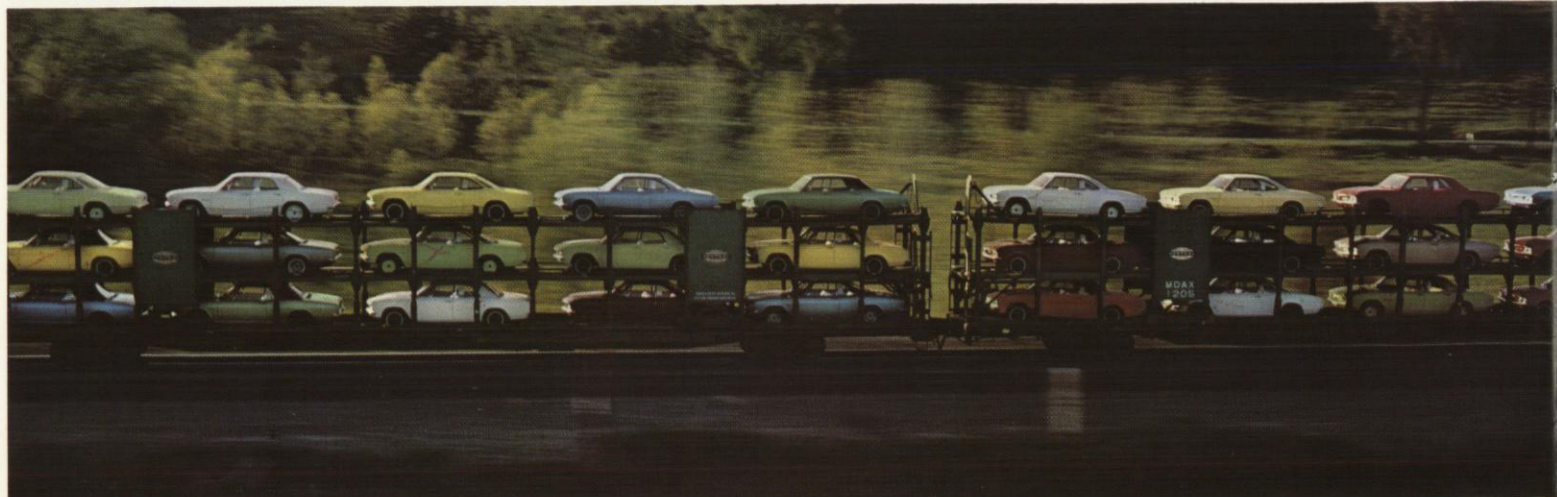
Hot-rolled sheets, cold-rolled sheets, galvanized sheets—carbon and low alloy • Culvert sheets • Bethlehem enameling sheets • Galvannealed sheets • Electro-galvanized sheets • Prepainted sheets • Electrolytic tin mill coated sheets • Plastic coated sheets • Chromized sheets • Wide-flange structural sections • American standard beams, angles, and channels • Hollow structural sections • Sheared, universal, and strip mill plates—carbon and alloy • Flanged and dished heads • Electrolytic tinplate • Hot-dip tinplate • Blackplate • Double-reduced tinplate and blackplate • Hot-rolled carbon and

alloy steel bars—standard and special section • Steel blooms, billets, and slabs—carbon and alloy • Wire rods • Manufacturers' wire—bright, galvanized, bethanized, and aluminized • Nails, staples, barbed wire, bale ties, and automatic baling wire •

Welded wire fabric • Slabform • Bridgform • Bridge railing • Concrete reinforcing bars • Cold-formed shapes • Sheet piling • H-piles • Piling pipe • Continuous butt-weld pipe • Electric-resistance weld pipe • Oil and gas transmission line pipe • Culvert pipe • Rails,



Steel plate girders were used to build this beautiful California bridge.



Many Bethlehem products are sold to both the automobile industry and the nation's railroads.

tie plates, and joint bars • Tool steels and specialty steels • Steel bridges, buildings, and other fabricated structures of all kinds • Ships, ship repairs, ship machinery, and equipment • Tanks and pressure vessels • Large diameter water pipe • Galvanized power transmission towers • Fabricated reinforcing bars • Steel joists • Highway guard rails, beam and cable • Frog and switch material and prefabricated special track work • Freight cars, mine cars, industrial cars, and car parts • Wheels and axles for railway and industrial equipment •

Bolts, nuts, rivets, spikes, and other industrial fasteners • Mine roof bolting and supports • Sucker rods • Wire rope • Bethanized, galvanized, and aluminized strand • Stress-relieved strand • Wire rope slings and spliced products • Ferro-manganese • Coal chemicals—including tar, benzene, toluene, xylene, and ammonium sulphate • Forgings—press, hammer, drop, and circular • Hardened steel rolls • Ordnance • Steel, iron, and brass castings • Ingot molds and stools • Tunnel segments • Iron ore and manganese ore • Stone and slag •



This 30-story Chicago building has a steel framework fabricated and erected by Bethlehem.

Facilities



Bethlehem's new Burns Harbor Plant serves the busy markets of the Middle West, and is a model of both efficiency and attractiveness.

Steel Plants: Sparrows Point, Md. • Lackawanna, N.Y. • Bethlehem, Pa. • Johnstown, Pa. • Steelton, Pa. • Seattle, Wash. • Los Angeles, Calif. • Burns Harbor, Ind. • Lebanon, Pa. • South San Francisco, Calif. • Williamsport, Pa.

Fabricating Works: Bethlehem, Pa. • Chicago, Ill. • Leetsdale, Pa. • Pinole Point, Calif. • Pottstown, Pa. • South San Francisco, Calif. • Torrance, Calif.

Shipbuilding and Ship Repair Yards: Baltimore, Md. • Beaumont, Tex. • East Boston, Mass. • Hoboken, N.J. • San Francisco, Calif. • Sparrows Point, Md. • Terminal Island (San Pedro), Calif.

Other Manufacturing Units: Albany, N. Y. • Baltimore, Md. • Boston, Mass. • Buffalo, N. Y. •

Charlotte, N.C. • Clearing, Ill. • Detroit, Mich. • Dunellen, N.J. • Elizabeth, N.J. • Fairfield, Md. • Hallandale, Fla. • Jacksonville, Fla. • Miami, Fla. • Minneapolis, Minn. • Philadelphia, Pa. • Raleigh, N.C. • Richmond, Va. • Romulus, Mich. • Staten Island, N.Y.

Iron Ore Mines: Cornwall, Pa. • Morgantown, Pa. • Hoyt Lakes, Minn.* • Hibbing, Minn.* • Negaunee, Mich.* • Sullivan, Mo.* • Marmora, Ontario, Canada • Labrador City, Labrador, Canada* • Schefferville, Quebec, Canada* • La Serena, Chile • San Felix, Venezuela • Buchanan, Liberia*

Manganese Ore Mines: Macapa, Amapa, Brazil* • Autlan, Jalisco* and Molango, Hidalgo*, Mexico

Sales Offices

CALIFORNIA
Los Angeles, San Francisco

CONNECTICUT
New Haven

DISTRICT OF COLUMBIA
Washington

FLORIDA
Jacksonville

GEORGIA
Atlanta

HAWAII
Honolulu

ILLINOIS
Chicago

INDIANA
Indianapolis

MARYLAND
Baltimore

MASSACHUSETTS
Boston

MICHIGAN
Detroit, Grand Rapids

MINNESOTA
St. Paul

MISSOURI
St. Louis

NEW YORK
Albany, Buffalo
New York, Syracuse

NORTH CAROLINA
Greensboro

OHIO
Cincinnati, Cleveland
Columbus, Dayton, Toledo

OKLAHOMA
Tulsa

OREGON
Portland

PENNSYLVANIA
Bethlehem, Johnstown, York
Philadelphia, Pittsburgh

TEXAS
Dallas, Houston

UTAH
Salt Lake City

VIRGINIA
Richmond

WASHINGTON
Seattle, Spokane

WISCONSIN
Milwaukee



Some 700 employees devote their full time to steel research at the Homer Laboratories located at the Corporation's headquarters in Bethlehem, Pa.



Already growing into an important West Coast facility is the new Pinole Point fabricating works and sheet galvanizing line near San Francisco.

Coal Mines: Ebensburg, Pa. • Ellsworth, Pa. • Johnstown, Pa. • Barrackville, W. Va. • Buckhannon, W. Va. • Jenkins, Ky.

Limestone Quarries: Bridgeport, Pa. • Hanover, Pa. • Milroy, Pa. • Presque Isle, Mich.*

Rail Transportation: Five short-line railroads in the vicinities of the Sparrows Point, Lackawanna, Bethlehem, Johnstown and Steelton Plants and one partially owned railroad serving certain coal mines near Johnstown, Pa.

Water Transportation: Ten ore vessels and three product carrying vessels on the Great Lakes; twenty-one ocean going ore and product carrying vessels; and four coastal barges.

*Partial Interest

Printed in U.S.A.

*Work at the ore storage area
on the waterfront of the
Sparrows Point Plant,
largest steel plant in the nation,
goes on day and night.*

